

**CITY OF ARNOLDS PARK
INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND SCHEDULE OF FINDINGS
JUNE 30, 2009**

CITY OF ARNOLDS PARK

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CITY OF ARNOLDS PARK

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mike Mitchell	Mayor	December 31, 2009
Jason Christensen	Mayor Pro-Tem	December 31, 2011
Mitchell Watters	Council Member	December 31, 2009
Mike Koppert	Council Member	December 31, 2009
James D. Jensen	Council Member	December 31, 2011
John Adams	Council Member	December 31, 2011
Ron Walker	Clerk Administrator	December 31, 2009
Kevin Sander	City Attorney	December 31, 2009

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, IA 51331

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the primary government of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits, contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for the component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the component units required to be discretely presented totaling \$2,157,612, \$1,115,628, \$1,041,984, \$474,072, and \$415,682, respectively, have not been reported.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity

with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the City of Arnolds Park, Iowa, as of June 30, 2009, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and each major fund for the primary government of the City of Arnolds Park at June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2009 on our consideration of the City of Arnolds Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 16 through 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Arnolds Park's basic financial statements. The financial statements for the three years ended June 30, 2005 (not presented herein) were previously audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Winther, Steve" followed by a stylized monogram or initials.

November 9, 2009

BASIC FINANCIAL STATEMENTS

CITY OF ARNOLDS PARK
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

		Program Receipts		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 1,176,609	\$ 77,060	\$ -	\$ -
Public works	424,422	168,498	96,411	-
Culture and recreation	139,377	43,484	22,889	-
Community and economic development.	151,110	-	-	-
General government	379,260	-	-	-
Debt service	792,331	-	-	-
Capital projects	2,033,764	-	-	157,404
Total governmental activities	<u>5,096,873</u>	<u>289,042</u>	<u>119,300</u>	<u>157,404</u>
Business-type activities:				
Water	304,372	303,859	-	-
Sewer	188,852	203,153	-	-
Total business-type activities	<u>493,224</u>	<u>507,012</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 5,590,097</u>	<u>\$ 796,054</u>	<u>\$ 119,300</u>	<u>\$ 157,404</u>

General Receipts:
Property tax levied for:
General purposes
Tax increment financing collections
Local option sales tax
Hotel/motel tax
Other city tax
Unrestricted interest on investments
Miscellaneous
Transfers
Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets - beginning of year

Cash basis net assets - end of year

Cash basis net assets

Restricted:

Streets

Urban renewal purposes

Debt service

Capital projects

Unrestricted

Total cash basis net assets

See Notes to Financial Statements

CITY OF ARNOLDS PARK
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (1,099,549)	\$ -	\$ (1,099,549)
(159,513)	-	(159,513)
(73,004)	-	(73,004)
(151,110)	-	(151,110)
(379,260)	-	(379,260)
(792,331)	-	(792,331)
(1,876,360)	-	(1,876,360)
<u>(4,531,127)</u>	<u>-</u>	<u>(4,531,127)</u>
-	(513)	(513)
-	14,301	14,301
-	<u>13,788</u>	<u>13,788</u>
<u>(4,531,127)</u>	<u>13,788</u>	<u>(4,517,339)</u>
832,111	-	832,111
709,474	-	709,474
216,419	-	216,419
283,535	-	283,535
22,654	-	22,654
55,185	-	55,185
157,909	-	157,909
10,000	(10,000)	-
<u>2,287,287</u>	<u>(10,000)</u>	<u>2,277,287</u>
(2,243,840)	3,788	(2,240,052)
<u>3,315,497</u>	<u>73,308</u>	<u>3,388,805</u>
<u>\$ 1,071,657</u>	<u>\$ 77,096</u>	<u>\$ 1,148,753</u>
\$ 41,511	\$ -	\$ 41,511
(50,178)	-	(50,178)
51,470	-	51,470
393,720	-	393,720
635,134	77,096	712,230
<u>\$ 1,071,657</u>	<u>\$ 77,096</u>	<u>\$ 1,148,753</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30,2009

		Special Revenue		
			Urban	
	<u>General</u>	<u>Road Use</u>	<u>Renewal Tax</u>	<u>Local Option</u>
		<u>Tax</u>	<u>Increment</u>	<u>Sales Tax</u>
RECEIPTS:				
Property tax	\$ 832,111	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	709,474	-
Other city tax	306,189	-	-	216,419
Licenses and permits	23,725	-	-	-
Use of money and property	78	-	-	-
Intergovernmental	22,889	96,411	-	-
Charges for service	289,042	-	-	-
Miscellaneous	134,178	-	6	-
TOTAL RECEIPTS	<u>1,608,212</u>	<u>96,411</u>	<u>709,480</u>	<u>216,419</u>
DISBURSEMENTS:				
Operating:				
Public safety	1,176,609	-	-	-
Public works	333,066	91,356	-	-
Culture and recreation	139,377	-	-	-
Community and economic development	151,110	-	-	-
General government	379,260	-	-	-
Debt service	-	-	792,331	-
Capital projects	-	-	-	-
TOTAL DISBURSEMENTS	<u>2,179,422</u>	<u>91,356</u>	<u>792,331</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(571,210)</u>	<u>5,055</u>	<u>(82,851)</u>	<u>216,419</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	<u>223,320</u>	<u>-</u>	<u>-</u>	<u>(205,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>223,320</u>	<u>-</u>	<u>-</u>	<u>(205,000)</u>
NET CHANGES IN CASH BALANCES	(347,890)	5,055	(82,851)	11,419
CASH BALANCES - BEGINNING OF YEAR	<u>951,612</u>	<u>36,456</u>	<u>32,673</u>	<u>19,993</u>
CASH BALANCES - END OF YEAR	<u>\$ 603,722</u>	<u>\$ 41,511</u>	<u>\$ (50,178)</u>	<u>\$ 31,412</u>
CASH BASIS FUND BALANCES:				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	603,722	-	-	-
Special revenue funds	-	41,511	(50,178)	31,412
Capital projects funds	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 603,722</u>	<u>\$ 41,511</u>	<u>\$ (50,178)</u>	<u>\$ 31,412</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30,2009

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ 832,111
-	-	709,474
-	-	522,608
-	-	23,725
-	55,107	55,185
-	111,223	230,523
-	-	289,042
-	46,181	180,365
-	212,511	2,843,033
-	-	1,176,609
-	-	424,422
-	-	139,377
-	-	151,110
-	-	379,260
-	-	792,331
-	2,033,764	2,033,764
-	2,033,764	5,096,873
-	(1,821,253)	(2,253,840)
-	(8,320)	10,000
-	(8,320)	10,000
-	(1,829,573)	(2,243,840)
51,470	2,223,293	3,315,497
<u>\$ 51,470</u>	<u>\$ 393,720</u>	<u>\$ 1,071,657</u>
\$ 51,470	\$ -	\$ 51,470
-	-	603,722
-	-	22,745
-	393,720	393,720
<u>\$ 51,470</u>	<u>\$ 393,720</u>	<u>\$ 1,071,657</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service	\$ 303,859	\$ 203,153	\$ 507,012
TOTAL OPERATING RECEIPTS	<u>303,859</u>	<u>203,153</u>	<u>507,012</u>
DISBURSEMENTS:			
Business-type activities	304,372	188,852	493,224
TOTAL OPERATING DISBURSEMENTS	<u>304,372</u>	<u>188,852</u>	<u>493,224</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	(513)	14,301	13,788
Operating transfers in (out)	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
NET CHANGES IN CASH BALANCES	(513)	4,301	3,788
CASH BALANCE - BEGINNING OF YEAR	<u>20,217</u>	<u>53,091</u>	<u>73,308</u>
CASH BALANCE - END OF YEAR	<u>\$ 19,704</u>	<u>\$ 57,392</u>	<u>\$ 77,096</u>
CASH BASIS FUND BALANCE:			
Unreserved	<u>\$ 19,704</u>	<u>\$ 57,392</u>	<u>\$ 77,096</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Arnolds Park is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1897 and operates under the Home Rule provisions of the Constitution of Iowa and under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City is considered a primary government and has excluded the financial data of its component units, Central Water System and Arnolds Park/Okoboji Fire Rescue Association. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. A component unit is a legally separate entity for which the City is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Since these financial statements do not include the City's component units, they do not purport to be prepared in conformity with U.S. generally accepted accounting principles as they relate to the exclusion of the component units described below:

The City participates with the City of Okoboji in the operation of Central Water System, which is organized under the Code of Iowa, Chapter 28E, and provides water system services to the two municipalities and an unrelated regional water system. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2009 totaled \$212,958, approximately 49% of total System revenues. The financial statements of this component unit are separately audited and are presented on the accrual basis of accounting. Complete financial statements of Central Water System can be obtained from their administrative offices.

The City participates with the City of Okoboji in the operation of fire and rescue services. Arnolds Park/Okoboji Fire Rescue Association is a 501(c)3 organization, which was formed to receive donations for the benefit of the fire and rescue services operated by the City. Complete financial statements of the Association are not prepared.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Upper Des Moines Opportunity Board, Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Commission, Dickinson County Assessor's Conference Board, and Dickinson County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for unspent local option sales tax receipts.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer.

C. Measurement Focus and Basis of Accounting

The City of Arnolds Park maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the debt service function.

E. Subsequent Events

Management has evaluated subsequent events through November 9, 2009, the date financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2009 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; and certain registered open-end management investment companies.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 485,000	\$ 312,679
2011	465,000	296,311
2012	380,000	280,526
2013	475,000	267,206
2014	485,000	249,969
2015 - 2019	2,330,000	985,074
2020 - 2024	2,885,000	455,961
2025 - 2029	<u>535,000</u>	<u>41,050</u>
Total	<u>\$8,040,000</u>	<u>\$2,888,776</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2009, 2008, and 2007, were \$45,103, \$43,307, and \$38,769, respectively, equal to the required contribution for the year.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2009 is \$14,386, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2009.

As sick leave is not payable upon termination, retirement or death, the accumulated sick leave is not presented as part of these financial statements.

6. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2009 were \$45,494.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfers to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local option sales tax	\$205,000
	Capital Projects	<u>43,320</u>
Total transfers to General Fund		<u>248,320</u>
Capital Projects	General	25,000
	Sewer	<u>10,000</u>
Total transfers to Capital Projects Fund		<u>35,000</u>
Total		<u>\$283,320</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

8. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$767 during the year ended June 30, 2009.

9. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of such actions will have no material impact on the City's financial condition.

10. OPERATING LEASES

The City has entered into two operating agreements to lease a payloador and mailing system. The following is a schedule of the future minimum lease payments.

<u>Year Ending June 30,</u>	<u>Payloador</u>	<u>Mailing System</u>	<u>Total</u>
2010	\$ 9,905	\$ 564	\$10,469
2011	9,905	564	10,469
2012	<u> </u>	<u>282</u>	<u>282</u>
Total	<u>\$19,810</u>	<u>\$ 1,410</u>	<u>\$21,220</u>

Payments under operating lease agreements totaled \$10,469 for the year ended June 30, 2009.

11. COMMITMENTS

At June 30, 2009, the City has entered into construction contracts for street projects, maintenance building, and water projects totaling approximately \$4,205,561 of which approximately \$1,685,840 remained outstanding. The balance on the contracts will be paid as the projects progress.

The City has agreed to pay approximately \$632,751 for its share of a joint construction project with the State of Iowa. Subsequent to June 30, 2009, the City received the request for payment from the State of Iowa.

12. SUBSEQUENT EVENTS

The City has committed to provide funding along with the City of Okoboji to Central Water Systems for a plant expansion project. The commitment will be paid as the project progresses from the proceeds of an approximately \$5,700,000 general obligation capital loan note issued in July 2009 through the State Revolving Loan Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARNOLDS PARK
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:			
Property tax	\$ 832,111	\$ -	\$ -
Tax increment financing collections	709,474	-	-
Other city tax	522,608	-	-
Licenses and permits	23,725	-	-
Use of money and property	55,185	-	-
Intergovernmental	230,523	-	-
Charges for service	289,042	507,012	-
Special Assessments.....	-	-	-
Miscellaneous	180,365	-	-
TOTAL RECEIPTS	<u>2,843,033</u>	<u>507,012</u>	<u>-</u>
DISBURSEMENTS:			
Public safety	1,176,609	-	-
Public works	424,422	-	-
Culture and recreation	139,377	-	-
Community and economic development	151,110	-	-
General government	379,260	-	-
Debt service	792,331	-	-
Capital projects	2,033,764	-	-
Business-type activities	-	493,224	-
TOTAL DISBURSEMENTS	<u>5,096,873</u>	<u>493,224</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,253,840)	13,788	-
OTHER FINANCING SOURCES -NET	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	(2,243,840)	3,788	-
CASH BALANCES - BEGINNING OF YEAR	<u>3,315,497</u>	<u>73,308</u>	<u>-</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,071,657</u>	<u>\$ 77,096</u>	<u>\$ -</u>

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Net	Budgeted Amounts		Final to
	Original	Final	Net Variance
\$ 832,111	\$ 836,435	\$ 836,435	\$ (4,324)
709,474	805,460	805,460	(95,986)
522,608	466,215	531,215	(8,607)
23,725	5,950	5,950	17,775
55,185	410,000	410,000	(354,815)
230,523	1,192,418	1,242,418	(1,011,895)
796,054	707,784	757,784	38,270
-	569,319	569,319	(569,319)
180,365	73,170	73,170	107,195
<u>3,350,045</u>	<u>5,066,751</u>	<u>5,231,751</u>	<u>(1,881,706)</u>
1,176,609	1,109,949	1,209,949	33,340
424,422	611,790	711,790	287,368
139,377	145,293	145,293	5,916
151,110	125,000	190,000	38,890
379,260	456,290	456,290	77,030
792,331	805,460	805,460	13,129
2,033,764	2,596,405	2,596,405	562,641
493,224	496,290	496,290	3,066
<u>5,590,097</u>	<u>6,346,477</u>	<u>6,611,477</u>	<u>1,021,380</u>
(2,240,052)	(1,279,726)	(1,379,726)	(860,326)
<u>-</u>	<u>5,484,271</u>	<u>5,649,271</u>	<u>(5,649,271)</u>
(2,240,052)	4,204,545	4,269,545	<u>\$ (6,509,597)</u>
<u>3,388,805</u>	<u>670,324</u>	<u>2,126,212</u>	
<u>\$ 1,148,753</u>	<u>\$ 4,874,869</u>	<u>\$ 6,395,757</u>	

See Accompanying Independent Auditors' Report

CITY OF ARNOLDS PARK
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$265,000. This budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ARNOLDS PARK
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Capital Notes: Essential corporate purpose	June 1, 1998	4.55 - 4.70%	\$ 390,000
General Obligation Bonds:			
Urban renewal	May 1, 2003	2.30 - 4.30%	2,300,000
Essential corporate purpose	October 1, 2005	3.75 - 4.375%	1,585,000
Essential corporate purpose	November 1, 2007	3.50 - 4.20%	2,000,000
General Obligation Refunding Capital Notes:			
Essential corporate purpose	March 1, 2003	2.50 - 3.45%	850,000
General Obligation Refunding Bonds:			
Essential corporate purpose	October 1, 2005	3.30 - 4.05%	2,930,000

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 70,000		\$ 35,000	\$ 35,000	\$ 3,273	
1,905,000		110,000	1,795,000	72,767	
1,585,000			1,585,000	65,949	
2,000,000		70,000	1,930,000	77,490	
425,000		130,000	295,000	13,017	
<u>2,520,000</u>	<u> </u>	<u>120,000</u>	<u>2,400,000</u>	<u>94,835</u>	
<u>\$8,505,000</u>	<u>\$ </u>	<u>\$465,000</u>	<u>\$8,040,000</u>	<u>\$327,331</u>	

CITY OF ARNOLDS PARK
BOND AND NOTE MATURITIES
JUNE 30, 2009

General Obligation Bonds and Notes								
Essential Corporate Purpose								
Year Ending June 30,	Issued 6-1-1998		Issued 3-1-2003		Issued 10-1-2005		Issued 10-1-2005	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2010	4.70%	\$ 35,000	3.05%	\$ 135,000			3.45%	\$ 165,000
2011			3.25	130,000			3.55	165,000
2012			3.45	30,000			3.60	165,000
2013					3.75%	\$ 100,000	3.65	210,000
2014					3.80	95,000	3.70	210,000
2015					3.90	90,000	3.75	205,000
2016					4.00	5,000	3.80	255,000
2017					4.00	10,000	3.85	250,000
2018					4.10	15,000	3.90	245,000
2019					4.125	10,000	4.00	265,000
2020					4.125	25,000	4.05	265,000
2021					4.15	250,000		
2022					4.20	235,000		
2023					4.25	300,000		
2024					4.30	350,000		
2025					4.375	100,000		
2026								
2027								
TOTALS		<u>\$ 35,000</u>		<u>\$295,000</u>		<u>\$1,585,000</u>		<u>\$2,400,000</u>

General Obligation Bonds and Notes				
Essential Corporate Purpose		Urban Renewal		
Issued 11-1-2007		Issued 3-1-2003		
Interest Rate	Amount	Interest Rate	Amount	Total
3.55%	\$ 75,000	3.00%	\$ 75,000	\$ 485,000
3.55	75,000	3.20	95,000	465,000
3.60	80,000	3.30	105,000	380,000
3.65	85,000	3.40	80,000	475,000
3.65	85,000	3.50	95,000	485,000
3.70	90,000	3.60	110,000	495,000
3.70	95,000	3.75	75,000	430,000
3.75	100,000	3.90	90,000	450,000
3.80	105,000	4.00	110,000	475,000
3.85	105,000	4.05	100,000	480,000
3.95	110,000	4.10	120,000	520,000
4.00	115,000	4.20	420,000	785,000
4.00	120,000	4.30	320,000	675,000
4.00	125,000			425,000
4.00	130,000			480,000
4.10	140,000			240,000
4.15	145,000			145,000
4.20	150,000			150,000
	<u>\$1,930,000</u>		<u>\$1,795,000</u>	<u>\$8,040,000</u>

CITY OF ARNOLDS PARK
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS
YEAR ENDED JUNE 30, 2009

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
RECEIPTS:				
Property tax	\$ 832,111	\$ 725,936	\$ 690,951	\$ 561,051
Tax increment financing collections	709,474	657,508	587,696	609,254
Other city tax	522,608	478,176	395,740	328,165
Licenses and permits	23,725	19,952	17,332	12,669
Use of money and property	55,185	160,904	246,899	174,565
Intergovernmental	230,523	305,999	790,700	1,380,240
Charges for service	289,042	275,552	267,713	178,327
Special assessments	-	-	59,449	56,836
Miscellaneous	180,365	71,759	129,094	221,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 2,843,033</u>	<u>\$ 2,695,786</u>	<u>\$ 3,185,574</u>	<u>\$ 3,522,993</u>
DISBURSEMENTS:				
Operating:				
Public safety	1,176,609	572,769	541,017	475,152
Public works	424,422	376,570	409,110	356,311
Culture and recreation	139,377	131,915	135,879	126,096
Community and economic development	151,110	129,663	99,155	84,353
General government	379,260	412,201	367,160	357,747
Debt service	792,331	680,916	829,771	864,169
Capital projects	2,033,764	1,659,099	1,484,140	1,944,811
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 5,096,873</u>	<u>\$ 3,963,133</u>	<u>\$ 3,866,232</u>	<u>\$ 4,208,639</u>

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 533,685	\$ 515,415	\$ 494,669
636,830	574,591	581,769
355,572	327,238	325,115
14,911	7,971	5,877
38,828	37,587	83,072
120,886	134,136	148,153
159,328	162,807	152,629
59,403	62,830	71,639
507,963	294,707	394,214
<hr/>		
<u>\$ 2,427,406</u>	<u>\$ 2,117,282</u>	<u>\$ 2,257,137</u>

592,769	528,822	368,883
346,028	334,328	368,139
100,940	137,317	97,155
101,098	116,042	96,455
337,188	309,483	318,508
552,752	530,304	1,520,028
950,488	1,139,304	2,373,925
<hr/>		
<u>\$ 2,981,263</u>	<u>\$ 3,095,600</u>	<u>\$ 5,143,093</u>

CITY OF ARNOLDS PARK
COMBINING SCHEDULE OF CASH TRANSACTIONS
GENERAL FUND
YEAR ENDED JUNE 30, 2009

Schedule 4

	<u>Operating</u>	<u>Special Electric</u>	<u>Equipment Revolving</u>	<u>Employee Benefits</u>	<u>Total</u>
RECEIPTS:					
Property tax	\$ 832,111	\$ -	\$ -	\$ -	\$ 832,111
Other city tax	306,189	-	-	-	306,189
Licenses and permits	23,725	-	-	-	23,725
Use of money and property	78	-	-	-	78
Intergovernmental	22,889	-	-	-	22,889
Charges for service	289,042	-	-	-	289,042
Miscellaneous	56,269	35,187	42,722	-	134,178
TOTAL RECEIPTS	<u>1,530,303</u>	<u>35,187</u>	<u>42,722</u>	<u>-</u>	<u>1,608,212</u>
DISBURSEMENTS:					
Operating:					
Public safety	580,184	-	596,425	-	1,176,609
Public works	279,693	-	53,373	-	333,066
Culture and recreation	139,377	-	-	-	139,377
Community and economic development	151,110	-	-	-	151,110
General government	379,260	-	-	-	379,260
TOTAL DISBURSEMENTS	<u>1,529,624</u>	<u>-</u>	<u>649,798</u>	<u>-</u>	<u>2,179,422</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	679	35,187	(607,076)	-	(571,210)
OTHER FINANCING SOURCES	<u>123,320</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>223,320</u>
NET CHANGES IN FUND BALANCES	123,999	35,187	(507,076)	-	(347,890)
FUND BALANCES - BEGINNING OF YEAR	<u>335,523</u>	<u>96,742</u>	<u>563,341</u>	<u>(43,994)</u>	<u>951,612</u>
FUND BALANCES - END OF YEAR	<u>\$ 459,522</u>	<u>\$131,929</u>	<u>\$ 56,265</u>	<u>\$ (43,994)</u>	<u>\$ 603,722</u>

See Accompanying Independent Auditors' Report

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

To the Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, IA 51331

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 9, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Arnolds Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, one of which we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be

prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Arnolds Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Arnolds Park and other parties to whom the City of Arnolds Park may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Arnolds Park during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



November 9, 2009

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements

Significant Deficiencies:

- I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response accepted.

- I-B-09 Reporting Financial Data - Reporting financial data reliably on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. As is a common situation in small entities, management presently does not have the qualifications and training to completely fulfill these responsibilities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses would improve management's ability to prepare and take complete responsibility for reliable cash basis financial statements.

Response - Management will consider steps which could be taken to improve the ability to prepare and take complete responsibility for reliable cash basis financial statements.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were reported.

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Statutory Reporting

- II-A-09 Certified Budget - Disbursements in the community and economic development function exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-09 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-09 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-09 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Walker Insurance Agency, owner is spouse of City Administrator	Insurance	\$ 767

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the transaction was less than \$1,500 during the fiscal year.

- II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-09 Revenue Notes - The City had no revenue notes outstanding during the year.

- II-H-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.